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# CURRENT INTELLIGENCE WEEKLY SUMMARY



CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

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**T H E   W E E K   I N   B R I E F****EAST-WEST RELATIONS . . . . . Page 1**

Khrushchev last week made a variety of public statements to convey a more optimistic outlook on the possibility of negotiations with the West over Berlin. In an effort to exploit the Belgrade conference appeal for direct talks between Khrushchev and President Kennedy, the Soviet premier has sought to imply that the initiative for making definite proposals for a conference depends on US willingness to demonstrate a desire for "businesslike negotiations." Moscow has continued moves to create an atmosphere of fear and anxiety by further nuclear tests, announcements of military preparations by the Warsaw Pact and of missile testing in the Pacific, new warnings against Western actions in Berlin, and boasts of superbombs. In his letter of 9 September, Khrushchev bluntly rejected the US-British proposal for a ban on atmospheric tests and defended the resumption of Soviet testing as necessary to "counter threats" by the West in connection with Berlin.

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**GERMANY . . . . . Page 5**

The Ulbricht regime apparently plans some new move in connection with the East German local elections and the West German parliamentary elections, both scheduled for 17 September. Efforts to control the East German population continue. "Unreliable" elements from areas adjacent to the East-West German border and West Berlin are being deported, reportedly to forced-labor camps. The regime has also decreed the establishment of labor offices at all levels of government to deal not only with the tight manpower situation but also with labor discipline. Official statistics for industrial production in June belie an earlier inference that East Germany had in that month begun to stockpile raw materials in expectation of a West German embargo. The East German grain harvest will probably be smaller than those of the past several years as a result of bad weather and deliberate work slowdowns.

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**FRANCE-ALGERIA . . . . . Page 12**

De Gaulle's 5 September press conference, in which he discussed ways of transferring sovereignty to the Algerians and referred to French "disengagement," was coolly received by the press and most political leaders and has elicited sharp comments within the government itself. The provisional Algerian government is still evaluating his statement on the Saharan sovereignty issue, and seems increasingly inclined toward a resumption of negotiations. The French Government is trying vigorously to root out the Secret Army Organization (OAS), which is blamed for the attempt on 8 September to assassinate

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De Gaulle, and several high military officers have expressed concern over OAS influence in the army and air force. Extremist elements in the OAS may soon make another assassination attempt; De Gaulle is scheduled to begin a speaking tour of south-central France on 21 September.

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**CONGO**

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Continuing friction between the UN and Tshombe's Katanga regime erupted into open fighting in Elisabethville on 13 September. UN forces seized key points in the city after three hours of fighting, and Premier Adoula in Leopoldville has moved to take over the administration of Katanga under a series of emergency directives. Tshombe and Interior Minister Munongo are believed to have escaped, and may attempt to organize a government in exile. The threat of a semi-autonomous regime in Orientale Province seems to have diminished following a UN roundup of several of Gizenga's key supporters and an apparent decision by Gizenga himself to remain in Leopoldville.

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**LAOS**

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Souvanna Phouma has agreed to meet with Ambassador Harriman in Rangoon about 15 September. The Geneva conference is nearing the end of its agenda, but the Soviet delegation has indicated an interest in keeping the discussions going. The military situation remains generally unchanged, with Communist forces continuing their efforts to drive the Meos from positions in Xiang Khouang Province.

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**NETHERLANDS NEW GUINEA DISPUTE**

Page 16

Indonesia, without discernible progress in recent months toward acquiring Netherlands New Guinea, continues to explore diplomatic methods while making threats of force which it believes will increase international pressure on the Dutch to cede the area. The Sino-Soviet bloc continues its long-standing support of Djakarta's claim.

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**SOVIET THREATS TO CENTO AND GREECE**

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As part of current Soviet intimidation tactics, the USSR is intensifying pressure on Iran, Turkey, Pakistan, and Greece, warning them that they face atomic destruction in any East-West conflict. Especially strong threats to Iran and Greece reflect Moscow's belief that the Shah is particularly vulnerable to this kind of intimidation and that the general increase in world tension provides a favorable opportunity to weaken the pro-Western Greek Government. Demonstrations of Warsaw Pact military strength may be held in southeastern Europe as a counter to the NATO exercise "Checkmate II" scheduled to begin on 15 September.

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## AFGHANISTAN-PAKISTAN . . . . . Page 19

Afghanistan is strengthening its military forces along the frontier with Pakistan, and the possibility of armed clashes is increasing. Since severing relations on 6 September, Kabul has closed the border to shipments coming through Pakistan, despite Pakistani assurances that transit trade could continue. Afghan officials have implied that they are resigned to the loss of major American aid projects, which depend on the Pakistani transit route, and that they are ready to abandon the policy of maintaining a balance between relations with the bloc and with non-Communist countries. Although the Afghans seem determined to risk their independence rather than appear to yield to Pakistan, they may be calculating that a strong display of determination will persuade the US to put pressure on Pakistan. The Pakistanis, determined to force a showdown with Kabul and end Afghan agitation among Pakistan's Pushtoon tribes, apparently remain confident that the Afghans will yield in the face of Pakistani firmness. [REDACTED]

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## SINO-NEPALI RELATIONS . . . . . Page 21

During his visit to Peiping beginning on 25 September, King Mahendra of Nepal is expected to sign a treaty settling the location of the Sino-Nepalese border. A recently signed protocol on Chinese aid to Nepal should help smooth the way for Nepali assent to the treaty, although agreement could be delayed by the dispute over Mount Everest or by possible Chinese military action against Tibetan rebels in the Nepal-Tibet border area. [REDACTED]

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## COMMUNIST CHINESE LEADERS IN SECRET SESSIONS . . . . . Page 23

Chinese Communist leaders, faced with the task of restoring popular morale and developing a program of economic recovery, appear to have held conclaves from the end of July through early September. The time devoted to these sessions suggests that a wide range of policy issues was under review. No decisions have been announced, but since one session in early August which was probably a politburo meeting, the authoritative party journal has published articles indicating the present sober mood of the leadership and the conservative approach it now is taking toward China's economic problems. A carefully circumscribed, conciliatory approach toward the intellectuals is also in evidence, suggesting that Peiping realizes its need to recapture a greater measure of domestic support. [REDACTED]

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## GHANA . . . . . Page 24

The recent strikes that have paralyzed Ghana's principal port and affected other cities for more than a week are symptomatic of the mounting discontent with Nkrumah's leadership. These demonstrations, aimed specifically at

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the universally unpopular austerity budget introduced by the government in July, have had a political and antiregime character. Public feeling continues high, and the regime may soon be confronted with further unrest.

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## DOMINICAN REPUBLIC . . . . . Page 26

The 12 September violence in the Dominican capital may be exploited by certain opposition elements who reportedly had planned to provoke police reprisals to convince the OAS subcommittee that the continued absence of political freedom should prevent even a partial lifting of OAS sanctions against the regime. While most moderate opposition leaders concede the merits of President Balaguer's liberalization program, they point to the continued police reprisals to demonstrate that liberalization is impossible as long as the police and military remain unchanged.

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## BRAZIL . . . . . Page 27

The council of ministers established under Brazil's new parliamentary system is a coalition group composed largely of men who have not previously played major roles in Brazilian politics. Prime Minister Tancredo Neves is one of the leaders of the middle-of-the-road Social Democratic party. The most able appointee is probably Foreign Minister San Thiago Dantas--the ideological adviser of the leftist Labor party--whose background suggests he will not abandon the Organization of American States, and will be inclined toward a foreign policy much like that of Janio Quadros. Joao Goulart, who assumed the newly limited office of the presidency, seems to be weighing his chances for a restoration of presidential powers, and Brazilian Communists are apparently united in his support.

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## HAITI . . . . . Page 29

President Duvalier has tightened his control over Haiti's military and police forces by launching the second major shake-up of key military personnel since he assumed office in 1957. The wave of arrests of civilians and former officers which preceded the move probably reflects an attempt to provide public justification for the military shake-up rather than any real need to crack down on Duvalier's fragmented opposition. There is also some indication that he may charge the United States and Venezuela with participation in a "deep international plot" against him.

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## PROSPECTS FOR THE WEST INDIES FEDERATION . . . . . Page 29

Persistent disagreement over the form of federation and apathy toward independence make the political future of the West Indies Federation uncertain, despite Britain's

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determination to grant independence on 31 May 1962 as scheduled. Jamaica's Premier Manley now seems to have a good chance of winning the 19 September referendum on keeping the island within the federation, but personal antagonisms of Manley, Trinidad's Premier Williams, and Federal Prime Minister Adams may cause the federation to disintegrate before May. This would probably require renegotiation of the base agreement signed last February between the US and the federation. [REDACTED]

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**SPECIAL ARTICLES**

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MILOVAN DJILAS . . . . . Page 5

Milovan Djilas, author of The New Class and once a ranking Yugoslav party leader, has recently made statements which augur a new clash between him and the Tito regime. In June he said he was giving serious thought to organizing an opposition and publishing an opposition periodical. Belgrade will not hesitate, regardless of international repercussions, to punish any act by Djilas which it considers subversive. Djilas, for his part, has asserted that he would not mind incarceration, as he is a greater threat to the regime inside jail than out. [REDACTED]

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WEEKLY REVIEW

## EAST-WEST RELATIONS

Khrushchev has used a variety of public statements in an effort to create an impression that the USSR is favorably disposed toward the appeal of the Belgrade conference for direct US-Soviet negotiations over Berlin. He has implied, however, that the initiative for making a definite proposal rests with the US and depends on US willingness to demonstrate a desire for "businesslike negotiations." Khrushchev's development of a more conciliatory line over the past week suggests that he considers the neutralists' initiative an opportunity to increase world pressure on the West for early four-power negotiations.

In a wide-ranging interview with C.L. Sulzberger of The New York Times, the Soviet premier implied that, while he is willing to meet with President Kennedy, he doubted that such a meeting would be useful. After Nehru and Nkrumah presented the Belgrade conference appeal for direct talks, Khrushchev amplified his remarks to Sulzberger in a special statement which placed more emphasis on the possibility of a meeting with the President. According to Sulzberger, Khrushchev expressed his satisfaction with Sulzberger's dispatch, which gave prominence to Khrushchev's willingness to hold a second meeting with the President. Moscow published Sulz-

berger's report verbatim on 10 September.

Khrushchev's attempt to appear responsive to the appeal for negotiations with the US was also reflected in his speech of 8 September at an Indian-Soviet friendship meeting in honor of Nehru. Khrushchev took the line that there was increasing talk in the West that negotiations were required and that President Kennedy had made his remarks of 30 August in this spirit. Khrushchev "welcomed" the President's statements, but indicated that the USSR still had doubts over US intentions to engage in "serious" negotiations.

Khrushchev's Stalingrad speech on 10 September portrayed negotiations as increasingly likely. The Soviet leader went to some lengths to attribute to each of the Western leaders a willingness to begin discussions on Germany and Berlin, and drew the conclusion that "glimpses of hope now have appeared" for "peaceful talks." Soviet propaganda promptly claimed that this speech met with favorable reception in the West and has been correctly interpreted.

At the conclusion of Nehru's visit on 11 September, the joint communiqué contained a statement

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on Khrushchev's agreement to "enter into negotiations with the Western powers...."

Berlin

Despite Khrushchev's asserted readiness for negotiations, he has adhered to the maximum position that negotiations should be directed toward a German treaty and the creation of a free city in West Berlin. He has also continued to assert that the question of access to Berlin could be resolved. He told Sulzberger that any peace treaty would "legalize" free access to West Berlin and that the "substance" would remain unchanged. He included the standard qualification, however, that in the absence of Western agreement to a treaty with both Germanys, communications to and from Berlin would require agreement with East Germany. The Soviet-Indian communiqué also stated that Khrushchev had informed Nehru of Soviet proposals for "international guarantees" of a free city and for "safeguarding the freedom of communications" between West Berlin and the outside world.

This reference may reflect a reported acceptance by Khrushchev of Nehru's proposal that the USSR, as part of a separate treaty with East Germany, guarantee East Germany's execution of the treaty's provisions

ensuring free access. Thus far, Khrushchev has refrained from offering such a guarantee of East Germany's performance after a separate treaty. This modification of his position is probably intended to encourage Nehru to continue his efforts.

Nehru apparently intended his proposal to serve as a basis for US-Soviet talks. It underscores his repeated references to the need for solving the access question first, which he feels is the key to a larger East-West accommodation on Germany. Khrushchev's acceptance presumably accounted for the Indian leaders' cautious optimism in discussing prospects for a negotiated settlement with reporters on his return to New Delhi. Nehru will presumably raise this proposal during his visit to Washington in early November, if not through diplomatic channels before then.

Khrushchev probably feels that Western acceptance of Nehru's plan as the basis for a negotiation would open up a wide field for maneuvering to gain de facto Western acceptance of a separate peace treaty and, a change in the legal basis for Western access. Khrushchev may also feel that an offer to act as a guarantor of East German actions may satisfy Western requirements by maintaining an outward appearance of continued Soviet responsibility.

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Statements by bloc leaders and officials continued to stress the inevitability of a peace treaty before the end of the year. Discrepancies over the timing of a peace conference, however, suggest that no final decision has been made in Moscow. News accounts quoted Polish party secretary Gomulka as stating the treaty would be signed in December, but the Rumanian minister in Washington told US officials that a treaty would be concluded in November. Khrushchev is reported by the Indian press to have sounded out Nehru on the possibility of attending a German peace conference in November. Moscow also is reported by Western diplomats to have begun pressure on Helsinki to join bloc countries in signing a treaty with East Germany. Statements by East German leaders suggest that following the elections in both East and West Germany the bloc may publish a revised draft of a treaty, together with a declaration on a free city for West Berlin.

Khrushchev's remarks to Sulzberger and a statement by a Soviet official at the UN indicate that the USSR still views UN consideration of the Berlin question as a last resort. Khrushchev told Sulzberger that the UN could take up the issue if the four powers failed to agree; the Soviet representative said the question would not come before the UN if the West wished to settle it through negotiations.

Military Measures

Moscow has continued to reinforce its diplomatic posi-

tion by announcements of military measures designed to impress world opinion with Soviet resoluteness over Berlin. On 10 September Moscow published the communiqué of the third meeting of the Warsaw Pact this year. The ministers of defense and military chiefs met in Warsaw on 8 and 9 September to discuss specific questions "concerning enhancement of military preparedness of the troops belonging to the joint forces" of pact states. The communiqué stated that the chiefs of the general staffs have been instructed to work out "practical measures to strengthen further the defenses" of the pact members. This provides a broad cover for further bloc moves to counter Western military measures, which the Soviet press is carefully reporting. It is believed that some of the satellites have followed the Soviet lead in retaining conscripts and have called up limited numbers of reservists. Additional steps might include the holding of large-scale exercises and even the movement of additional Soviet troops into Eastern Europe. In a speech on 10 September, Gomulka alluded to continued movement of troop convoys which would be observed by the populace.

The pact meeting coincided with an announcement by Moscow that, between 13 September and 15 October, tests would be held in the Pacific of "more powerful and improved versions of multi-stage carrier rockets of space vehicles."

Nuclear Tests

Khrushchev has also used his statements justifying the

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resumption of testing and rejecting the US-British proposal for a ban on atmospheric tests to improve his political position in the Berlin crisis. He told Sulzberger that the development of several "super powerful bombs" would force the "aggressors to think twice" and that the USSR was obliged to assure itself of "no lesser capability" than the US, Britain, and France. He claimed that "we shall continue the tests we have started because we cannot ignore the danger that now is being created by the Western countries." His reference to testing a 100-megaton device, however, was amended to read only the "explosive device" for such a weapon.

In his formal rejection on 9 September of the proposal by President Kennedy and Prime Minister Macmillan, Khrushchev adopted the same general line and defended resumption of testing as being forced on the Soviet Union in order to "counter the threats of aggression." He labeled the US-UK proposal as a propaganda maneuver to permit the US to resume underground tests and allow France to continue its program and thereby obtain a "unilateral advantage" over the Soviet Union. The Soviet Government, Khrushchev stated, "cannot and will not make such a deal." He added that nuclear tests can be ended "everywhere and forever only on the basis of complete and general disarmament." But he also claimed that the US-Soviet bilateral talks on disarmament show that the US "does not

even want to approach general and complete disarmament."

The Soviet delegate at the Geneva nuclear talks read this statement into the record at the 340th meeting on 9 September and then pressed for a communiqué stating that the conference had suspended its work, with no reference to a US-UK proposal to state that the talks had recessed until after the UN General Assembly debate. Although the Soviet delegate agreed to a final statement that the conference would be recessed, he clearly implied in the discussion that any further meetings would require agreement on the governmental level and that the USSR would resume talks on a test ban only within the context of general disarmament.

Nehru's Visit

The Indo-Soviet communiqué was a restatement of Soviet and Indian views with prime emphasis on the former. The leaders agreed on the "fact" of two Germanys, on the need for "complete and general disarmament under strict and effective international controls," and on support for anti-French and anti-Portuguese liberation movements in Algeria, Angola, and Goa. On other issues, however, Nehru merely "noted" the Soviet position as "explained" by Khrushchev, expressed no response at all, or was obliquely critical, as on the question of nuclear testing.

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## GERMANY

The Ulbricht regime apparently is planning some move pertaining to the Berlin situation in connection with the East German local government elections and the West German parliamentary elections, both scheduled for 17 September. Regime spokesmen have hinted that the East German elections would mark an important point as far as a peace treaty is concerned. Propaganda chief Albert Norden declared in a recent election speech that "after 17 September, the greatest victory--the peace treaty--will come."

ern recognition, apparently feeling they have nothing more to fear from the East German people or the West. In a speech on 9 September, Ulbricht declared that the regime's actions to seal off West Berlin had put an end to "stupid talk about the role of West Berlin as a show window." West Berlin, he asserted, "is simply a territory with a special status within the German Democratic Republic (GDR). The connection between this special-status territory and other countries can be agreed upon contractually with the GDR. The German peace treaty, which will in any case be concluded this year, will come next."

Soviet Ambassador Pervukhin in East Berlin, in a letter to US Ambassador Dowling on 11 September, rejected the Western Allies' protest against the sealing off of the Berlin sector border and reiterated the Soviet position that such questions "fall fully and completely within the jurisdiction of the GDR." He added that questions "relating to visits to the GDR...or its capital by citizens of foreign states will have to be discussed with East German authorities." In addition--for the first time at this level of Soviet pronouncements--he denounced as "provocations" the movement of Allied troops through East Germany to reinforce the West Berlin garrisons, and the stationing of Western troops along the West Berlin borders.

Regime spokesmen are becoming increasingly arrogant in voicing their demands for West-

There have been no recent direct threats to Western air access to West Berlin, although regime propaganda is continuing

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****ALLIED ACCESS ROUTES TO WEST BERLIN**

1. Helmstedt-Berlin autobahn
2. Helmstedt-Berlin railroad
3. Three air corridors

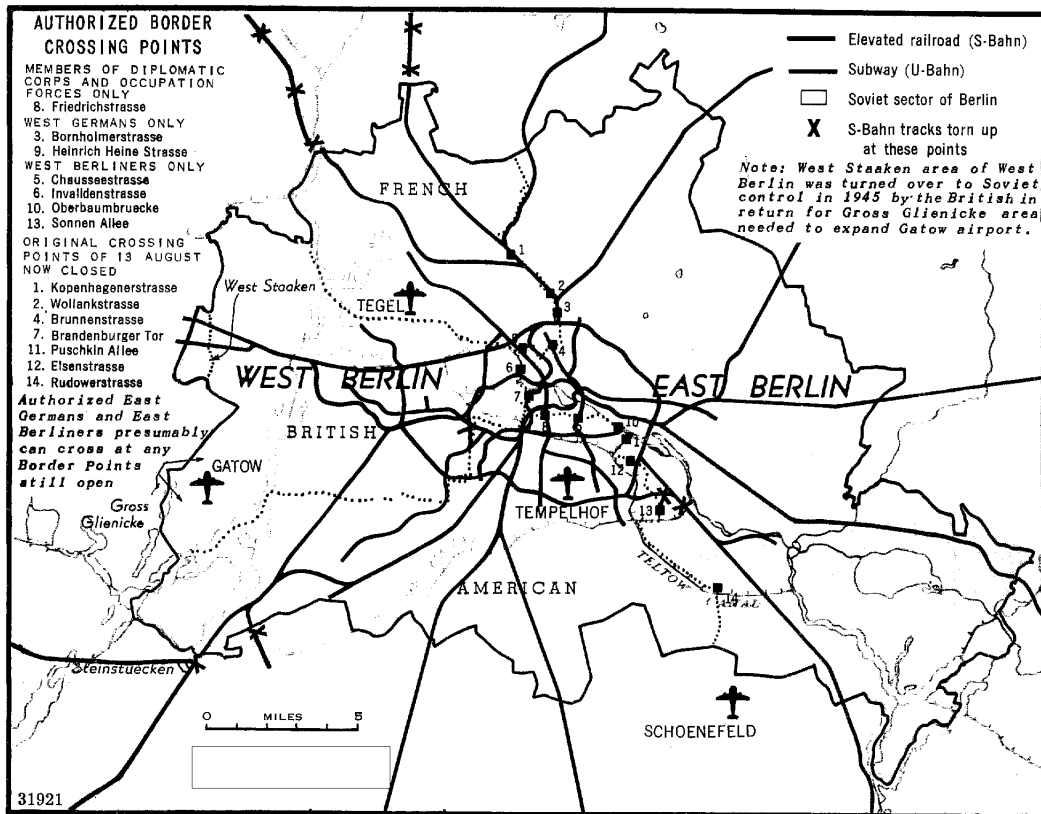
NOTE: Personnel of allied military liaison missions accredited to the commander-in-chief of Soviet forces in East Germany may cross East Germany on other land routes, but all other allied personnel as well as supplies for allied garrisons in West Berlin may use only the routes listed.

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to emphasize the claim made in the East German note of 31 August to the US that air corridors are being misused. For example, politburo member Albert Norden

The East Germans appear ready to resort to systematic provocations to document their claims of kidnappings. On 12 September, West Berlin officials



declared on 7 September: "When the peace treaty is concluded, we will also control the air space over the GDR. And one thing is certain--the condition will cease whereby kidnapers of children will be flown out via the air corridors...and revanchists and spies flown in."

announced that they had uncovered East German plans to stage demonstrations at Tempelhof and Tegel airports by persons allegedly being "kidnaped." The following day, the official East German news agency claimed that "turbulent scenes" had occurred at the airfields when "West German and foreign secret services" had attempted to abduct East Germans who desired to return to the GDR.

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On the nights of 7, 8, and 9 September, East German border guards along the Teltow Canal in East Berlin used powerful floodlights to obstruct the final approach of Western commercial aircraft to West Berlin's Tempelhof airfield. In each instance West Berlin police immediately protested and the lights were extinguished.

The British controller in the quadripartite Berlin Air Safety Center protested to the Soviet controller the incident of 7 September involving a British European Airways plane, and the US controller similarly protested an incident on 8 September involving a Pan American plane. In the latter instance, the Soviet controller agreed that the floodlights constituted a flight hazard and telephoned their location to Soviet headquarters at Karlshorst. On 9 September, however, the East Germans again flashed their floodlights at the approach of a Pan American airliner, although not aiming it directly at the cockpit.

Without any specific allusion to these incidents, East German radio commentator Von Schnitzler on 9 September advised any Western carrier which hopes to continue using the Berlin air corridors to begin negotiations with the East German regime before a treaty is signed.

**Internal Security**

Under the ruthless direction of Erich Honecker, the Moscow-trained central committee member in charge of over-all security,

the regime is taking further steps to consolidate its hold over the populace. "Fascist" elements are being deported from areas adjacent to the East - West German frontier and West Berlin, reportedly to forced-labor camps.

The regime is also carrying on a vindictive and brutal intimidation campaign against East Germans who have been bold enough to express antiregime sentiments following the sealing off of West Berlin. In recent trials reported by the East German press, for example, three youths received sentences of ten, five, and three years' imprisonment for "diversion, acts of violence endangering the state, and acts endangering the transport system"--i.e., for having damaged elevated railroad (S-Bahn) trains.

In Rostock, four youths were sentenced to terms of up to eight years for "encouraging other youths to attack People's Police" and taking the lead in a demonstration at a police station. Schwerin reported on 1 September that a freight train had been derailed on 13 August as an "act of sabotage by unknown enemies of the state." In some cases, party members are reported by East German newspapers to have been punished for antiregime activities.

The armed forces recruiting drive is still in full swing, although the regime has not yet taken the step of legislating conscription.

**East German Economic Developments**

The East German regime is moving to establish centralized

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and comprehensive control over the allocation of manpower. A decree of 28 August empowers the regime to establish labor offices at all levels of government and permanent labor committees in all local representative bodies. This goes well beyond any similar move elsewhere in the Sino-Soviet bloc. Such controls have elements of Soviet practice under wartime conditions when labor was scarce, but the East German system appears to be a more highly organized and centralized attempt to deal not only with the tight labor market but also with problems of labor discipline.

The labor offices are to have the following powers: they can prevent factories from hiring new workers and can compel them to release present workers; they can influence the selection of workers to be hired or released; and they can require factories to hire or train persons, although only with the agreement of the workers involved. In addition, the decree allows public advertisement for workers only in exceptional cases, which must be licensed by the district labor office. The decree also provides for systematic guidance over education from the sixth grade on, to assure that enough students are trained in various skills corresponding to the plans of the regime.

The closing of the sector border in Berlin on 13 August has permitted the regime to establish much more comprehensive controls over the popula-

tion. A decree of 25 August authorized the district courts to order "labor education" for those who shirked their jobs and to place residence restrictions on persons whose conduct was "dangerous to the public." East Germans who formerly worked in West Berlin will probably be the first to be affected.

The control measures decreed on 28 August afford additional means of discouraging and punishing passive opposition. The main purpose, however, is to alleviate the tight labor situation. The direct allocation of labor is needed to supplement wage differentials as a means of supplying sufficient skilled labor to construction, mining, and agriculture.

The controls authorized in the decree, moreover, are intended to prevent management from bidding up wages to attract or keep labor. Wages in recent years have been rising more rapidly than the supply of consumer goods. Since the regime is unwilling to raise prices correspondingly, there has been a considerable suppressed inflation.

The regime also wants longer work hours in agriculture, where many farmers cut their workday following collectivization, and in construction, where many workers have continued "illegally" to work only a five-day week.

In the past week, East German newspapers have been printing reports of "worker-initiated drives" to produce at a rate above established work norms. There clearly is

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a need for revision of some work norms which have lagged far behind increases in productivity, but workers have been extremely resistant to change, and plant managers and labor union officials have been reluctant to force the issue against opposition. The increasingly stiff posture taken by the regime in the last month, however, may foreshadow major action in this field.

Current efforts in agriculture are being directed to completing the grain harvest, which appears to be smaller than those of the past several years. Bad weather was the principal cause for the shortfall, but there is also evidence of deliberate work slowdown by farm laborers. Minister of Agriculture Hans Reichelt has stated that extraordinary measures are required to prevent heavy losses. He said that local councils must find harvest helpers in the towns and assign them to work brigades in the villages.

Official statistics covering East German industrial production in June 1961 remove the basis for the recent inference that East Germany had begun accumulating large inventories of raw materials in expectation of a West German embargo. A speech by economic planning coordinator Bruno Leuschner had implied that industrial production had fallen sharply in June. Since it was independently known that production in basic industries had generally held up, it was concluded that production in the

finished goods industries must have been severely cut back, to permit an accumulation of large raw-material inventories in preparation for a Western trade embargo. The official production statistics rule out this conclusion, since they show that industrial production in June actually increased over the May level. The figure for the first six months of 1961 was 5.4 percent above the corresponding period of 1960.

West Berlin

The present status of West Berlin's economy is generally satisfactory, with consumer supplies adequate, the backlog of industrial orders at normal levels, and local industries able to compensate for the loss of East Berlin workers by extra shifts, overtime, and re-employment of retired workers. There nevertheless are indications of apprehension and even pessimism among economic and business leaders, despite the over-all prosperity and plans for assistance by West Germany. Between 15 and 31 August, personal savings deposits in West Berlin declined approximately 2 percent -- a larger decline than in the two weeks following Khrushchev's November 1958 ultimatum on Berlin. Although no significant emigration from West Berlin has occurred thus far, some firms report a sprinkling of requests for transfer to branch plants in West Germany.

To help West Berlin adjust to the new situation, West German business and labor leaders have pledged to cooperate in discouraging

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West German firms from recruiting from the Berlin labor force, and to bring workers into Berlin, from outside Germany if necessary. West German industrial and commercial leaders have also pledged: (1) no reduction in orders given Berlin firms; (2) preferential status for West German deliveries important to Berlin's economy and population; and (3) liberal credit to encourage investments in Berlin. The West German Government announced on 11 September that it had "put \$125,000,000 at the disposal of the West Berlin city government" to strengthen the city's economic position. This presumably is in addition to the usual West German over-all aid of about \$375,000,000 annually. Bonn has long assisted Berlin through tax preferences and preferential shipping rates and by promoting the placement of industrial orders in the city.

West Germany

Bonn announced on 12 September that West German military personnel scheduled for release between 30 September and 31 December will be retained in service for an additional three months. Chancellor Adenauer has indicated that Bonn probably would take additional measures after the 17 September elections. The Bundesrat on 8 September took its first steps

toward providing long-needed emergency legislation by empowering the government to take over buildings, vehicles, and radio stations, and allowing conscription of specialists in 153 trades in an emergency.

West Berlin authorities reportedly claim that East Germany currently has a \$50,000,000 overdraft in its trade with West Germany, and West German firms now are refusing to finance further deliveries unless covered by cash deposits. East German officials reportedly have stated that the currency difficulties rule out any further purchases until the beginning of 1962.

West German interzonal trade negotiator Kurt Leopold reports that the regular day-to-day contacts with his East German counterparts are normal and that East Germany has arranged easy access to East Berlin for West German interzonal trade representatives and West German traders. Leopold has also said that at present there is nothing really significant for him to discuss with his East German counterparts, since both sides appear to be awaiting basic changes in interzonal trade arrangements which are expected to follow signature of a "peace treaty."

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(Prepared jointly with ORR)

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****FRANCE-ALGERIA**

De Gaulle's 5 September press conference, in which he discussed ways of transferring sovereignty to the Algerians and referred to French "disengagement," was not only coolly received by the press and most political party leaders, but has reportedly elicited sharp comments within the government itself. Minister for Algerian Affairs Joxe told the Canadian ambassador that he was unhappy over De Gaulle's failure to mention guarantees for the European settlers, and that he felt De Gaulle's threat of regroupment as a last resort is totally unworkable; Delegate General Morin in Algiers commented similarly to a US official. A member of the French delegation to the UN who had just returned after consultations at the Foreign Ministry said he found "no one in or out of the French Government who approved."

There are, however, indications that the rebels are expecting the French to take the initiative in resuming talks, whereas the French feel that De Gaulle's press conference amounted to an initiative and that they cannot "stand on the rebel doorstep ringing the bell." The PAG cabinet is meeting in Tunis this week, apparently to evaluate De Gaulle's position, and may be inclined to begin negotiations at an early date because of the attempt on De Gaulle's life. A high PAG official admitted on 12 September that the assassination attempt lent a sense of urgency to the peace-making process.

In addition to domestic criticism on the Algerian issue, De Gaulle is facing mounting discontent over his treatment of parliament and his refusal to yield to demands of farmers threatening major demonstrations soon. News of the nearly successful assassination attempt on 8 September, however, appeared to have shocked even his most vocal opponents temporarily.

De Gaulle's secretary general and long-time friend, Geoffrey de Courcel, freely discussed the assassination attempt with a US Embassy official on 12 September. He characterized as "absolutely absurd" suggestions that the government had staged it in order to strengthen De Gaulle's political position. De Courcel suggested that the timing may have been dictated by the plotters' fear that the police were closing in; investigation of the Secret Army Organization (OAS), which is blamed for the attempt, had recently turned up in Paris a lead to "important

The PAG minister of information told the US Ambassador in Tunis on 12 September that the PAG not only favors early and frank negotiations with the French, but expects them to succeed. Other sources have stated that the PAG does not have any real plan for action in the event negotiations fail completely. Another high official of the PAG has said that the rebels are "gratified" by De Gaulle's press conference remarks on the Sahara and feel that if these are confirmed in negotiations, they should remove the final obstacle to peace.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

people behind the scenes." He believes those behind the attempt are highly placed, probably military or ex-military officials, and indicated that the government is considering more direct communication between De Gaulle and military leaders in an effort to reduce their opposition.

The series of race riots in Algerian cities which have continued for several weeks could, if the recently stepped-up police severity fails to halt them, aggravate tension and undercut progress in any further negotiations. The security situation in France itself is viewed dimly by the Ministry of the Interior, according to the ministry's chief liaison officer with security forces, who told a US official on 6 September that while police had been successful in smashing an OAS group in southwestern France, there was little prospect that the organization could be completely destroyed, since it would exist as long as the Algerian problem remains unresolved. His views were lent emphasis by his insistence during a telephone conversation in the US official's presence, that two Republican Security Companies should be returned from Algeria to France because they were currently more needed there.

It is unlikely that extremist French Algeria elements in the OAS have given up their intention to keep trying to assassinate De Gaulle soon, or that they have been seriously crippled thus far by the government's highly publicized efforts to smash the OAS networks. De Gaulle's four-day speaking tour of south-central departments scheduled to begin on 21 September would therefore appear to be unusually risky in terms of his personal safety. It will, however, provide him with a forum for new pronouncements on various matters of concern. He has used similar trips in the past to amplify formal statements on Algerian policy in immediately preceding press conferences or TV speeches.

Some of the numerous recent resignations of general officers are reported due to disaffection with De Gaulle's "abandonment" of Algeria, and in some cases, to OAS intimidation. According to one of the best informed French military analysts, Jean Planchais of Le Monde, a "command crisis" exists, and the government is having difficulty finding candidates to succeed Olié.

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

## CONGO

Continuing friction between the UN and the Katanga regime of Moise Tshombé erupted into open fighting in Elisabethville on 13 September. UN forces seized key points in the city, and Premier Adoula in Leopoldville has moved to take over the administration of Katanga under a series of emergency directives.

The showdown between the UN and Tshombé came after UN representative O'Brien had been unsuccessful in pressing Tshombé into negotiations with Adoula aimed at reintegrating "independent" Katanga with the Congo. Initially, the UN appears to have felt that its arrest on 28 August of the Katangan army's white officers would prove sufficient to topple Tshombé's regime. Tshombé remained defiant, however, although in early September he had indicated that he was prepared to hold talks with Adoula if they were held somewhere other than in Leopoldville.

Before he left on 3 September for the Belgrade conference, Adoula reportedly directed army chief Mobutu to prepare plans for the military occupation of northern Katanga by two battalions of Congolese troops. Reports of such contingency planning obviously made a deep impression in Elisabethville, where UN spokesmen had warned Tshombé that the UN would not interfere with, and in fact might aid, military action by Leopoldville to put an end to Katangan independence. In a press conference on 12 September, Tshombé charged the UN with seeking to destroy Katanga and with fomenting "incidents" in order to justify UN military intervention. In a reference to invasion rumors, Tshombé warned that if sufficiently pressed he would destroy Katanga's "economic apparatus"--an apparent reference to the copper mines which are the province's main economic asset.

UN officials denied on 11 and 12 September that they contemplated any further use of force in Katanga. They continued, however, to seek a dissolution of Tshombé's re-

gime and a re-establishment of the central government's authority. There is some evidence that the UN encouraged the migration of anti-Tshombé Baluba tribesmen to the Elisabethville area as a means of neutralizing pro-Tshombé sentiment there.

The American consul quoted two young Balubas as saying that they would not return to their homes until Tshombé was overthrown, regardless of what safe-conduct guarantees they might be offered.

On 11 September O'Brien warned Tshombé to go to Leopoldville "at all costs," failing which "serious consequences" would result. On the following day, O'Brien presented Tshombé with a virtual ultimatum to meet with UN Secretary General Hammarskjöld, who arrived in Leopoldville on 13 September.

The fighting which brought about Tshombé's overthrow began at dawn on 13 September, when UN forces in Elisabethville moved to seize the Katanga radio station, source of anti-UN broadcasts which had occasioned protests by O'Brien. Katangan gendarmerie reportedly fired on the UN soldiers, and the resulting fighting spread to the post office building and the residence of Vice President Kibwe. After three hours of fighting, in which about 40 persons died, O'Brien announced that the UN was in control of the city and that Katanga's secession had ended. Tshombé, who denounced the UN action as "treachery," is believed to have escaped with Interior Minister Munongo. Sporadic firing continued during the night of 13-14 September, and there were reports of fighting in Jadotville, near Elisabethville.

Adoula was quick to follow up on the events in Elisabethville. He announced on 13 September the appointment of Egide Bocheley-Davidson--one-time hatchetman for Gizenga--as "special commissioner" for Katanga. Adoula also stated that new elections would be held for the Katangan assembly.

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

Certain Katangan army units may remain loyal to Tshombé and attempt to wage guerrilla warfare from the bush. In the absence of the financial resources which were at his command as Katanga president, however, it is doubtful whether Tshombé could effectively oppose the central government. The Rhodesian Federation has indicated that it will grant him and Munongo asylum, and pro-Katanga sentiment among Europeans in Rhodesia could take the form of support for a Katangan government in exile.

Meanwhile, there are indications that UN and central government representatives have been successful in largely curbing Gizengist activity in Stanleyville. Two of Gizenga's former lieutenants reportedly are in hiding to avoid arrest. UN representative Linner has stated that in view of Gizenga's apparent decision to remain in Leopoldville, the "Stanleyville problem" has been "practically solved." 25X1

## LAOS

Souvanna Phouma has agreed to meet with Ambassador Harriman in Rangoon on 15 September. The Harriman trip to Southeast Asia has drawn sharp criticism from Hanoi radio and the Pathet Lao, which depict it as part of a US plan to prepare the "Phoumi clique" for a resumption of hostilities. Pathet Lao criticism of the impending Harriman-Souvanna meeting is no doubt intended to remind Souvanna that the Communists hold the whip hand in Laos and that his freedom to make concessions to the West is limited accordingly.

There has been little change in the political situation in Laos. The opposing factions continue their exchanges aimed at convening another meeting of the three princes--Souphannouvong, Souvanna, and Boun Oum. Souvanna's latest proposal is that they meet at Hin Heup, a point between the opposing forces' lines north of Vientiane; the Boun Oum side, however, remains insistent that the talks be held at Luang Prabang. There were no sessions of the Namone talks during the past week, as Phoumi stuck to his position that the government would not participate in the talks until the level of representation of both the Pathet Lao and the Souvanna group is raised.

Having completed its first run-through of the various drafts on Laotian neutrality and international controls, the Geneva conference now will meet in restricted session about twice a week to discuss those issues on which prospects for agreement

seem relatively favorable. According to an agreement between Western and Soviet delegates, those issues which have proved more difficult to resolve--e.g., the precise role of the International Control Commission--will be handled on an informal basis by the co-chairmen and by the delegations principally interested.

During a discussion on 9 September of procedures the conference should follow in the future, Soviet delegate Pushkin reiterated his feeling that it should push ahead toward agreement, even in the absence of a provisional Laotian government.

Some counteraction has developed against the government's security operations in Luang Prabang Province; Phoumi's forces there have been forced to retreat from their advanced positions approaching Muong Sai. In Xieng Khouang, Communist and Kong Le forces continue to attack selected Meo positions. Although some of these positions have fallen, the Meos have regrouped on nearby ridges and their over-all effectiveness as a harassing force does not appear to have diminished greatly.

Pathet Lao and bloc propaganda warns that the "patriotic Laotian forces" cannot tolerate continued intrusions into "liberated territory" by government forces. Communist propaganda is also beginning to make detailed charges of growing cooperation between the Laotian and South Vietnamese military for defending southern Laos. 25X1

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

## NETHERLANDS NEW GUINEA DISPUTE

Indonesia, with no discernible progress in recent months toward acquiring Netherlands New Guinea, continues to explore diplomatic methods while making threats of force which it believes will increase international pressure on the Dutch to cede the area.

The Dutch Government's recent interest in UN intervention has introduced a new factor. There has been growing pressure in the Netherlands for internationalization of the dispute in order to guarantee self-determination for the native Papuans and at the same time avert an armed clash with Indonesia. According to a semiofficial Dutch government daily, Foreign Minister Luns recently informed the parliamentary foreign affairs committee that during the forthcoming General Assembly session, he may propose that a UN commission visit New Guinea to observe the situation there.

Luns and the Dutch cabinet are also reported considering a proposal for UN trusteeship until the indigenous population is competent to choose its own future--independence, union with Indonesia, or participation in a Melanesian federation.

An Indonesian Foreign Ministry spokesman stated on 25 August that Indonesia cannot accept a New Guinea settlement through an "international process" and reiterated President Sukarno's announcement that the only basis for settlement is the "return" of the territory to Indonesia. This statement, however, apparently was intended not so much to reject the Netherlands' plans as

to induce The Hague to accept a trusteeship of brief duration with a guarantee that the territory would be transferred to Indonesia. Djakarta is unlikely to introduce the issue at the UN25X1 this year.

In the absence of progress on the diplomatic front, Indonesia continues its military build-up.

Indonesia is believed capable of mounting a battalion-sized amphibious assault in conjunction with a 500-man para-troop attack. 25X1  
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It seems likely that Sukarno will not order an attack, at least until he sees how the proposed Dutch initiatives at the UN develop. 25X1

The Dutch have reported no Indonesian infiltrating

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paramilitary teams since February, but it is possible that undetected groups are landing from time to time charged with intelligence collection and psychological warfare. Dutch military strength in New Guinea consists of 1,800 ground troops (army and marines), about 500 air force personnel and 25 aircraft, and 2,100 seaborne naval personnel.

The Australian Government, which controls the eastern half of the island of New Guinea, would prefer continued Dutch control of the disputed area. It feels, however, that any formula not conceding West New Guinea to Indonesia would invite an Indonesian attack. As of a month ago, Canberra apparently had not reached a firm conclusion as to its course should the Netherlands request Australian assistance in the event of an Indonesian attack.

Meanwhile the Sino-Soviet bloc continues its long-standing

support of Indonesia's claim. The Soviet Union presumably has assured Sukarno that he will receive full diplomatic support in a campaign to acquire the area. Moscow hopes to erode the anti-Communist position of the Indonesian Army by increasing Djakarta's dependence on the bloc for the furtherance of an emotionally charged nationalist policy.

Indonesia's responsiveness to bloc support is exemplified by the statement of a leading member of the Indonesian delegation to the recent Belgrade conference. Chagrined by lack of support for the New Guinea issue at Belgrade, the delegate stated that the main lesson to be drawn from its experiences at the conference was that "Indonesia should base its struggle on its own strength with the aid of countries which are truly progressive--as has been repeatedly stressed by President Sukarno."

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## SOVIET THREATS TO CENTO AND GREECE

As part of current Soviet intimidation tactics to heighten world tension against the backdrop of the Berlin crisis, the USSR is intensifying pressure on Iran, Turkey, Pakistan, and Greece.

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[redacted] Soviet Ambassador Pegov indirectly threatened strong Soviet action unless Iran withdraws from CENTO. Other Soviet officials in Tehran have advised Iran "not to take lightly" the USSR's concern over Western

military preparations. They reportedly warned that the USSR will invoke the 1921 Treaty of Friendship--which Moscow claims grants the USSR the right to occupy Iran if Soviet security is threatened--in order to eliminate the threat from CENTO, asserting that the US, which "will not fight for Berlin, would certainly not intervene here." Moscow probably believes that the Shah is particularly vulnerable to this kind of intimidation and that the general increase in East-West tension provides a favorable opportunity

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to weaken the regime's Western ties.

Iran regards as void Articles 5 and 6 of the 1921 Treaty, which provided that the USSR could move troops into Iran in the event that bases for operations against the USSR were being established on Iranian territory. Tehran has maintained that these articles applied only at the time and only to Russian emigrés.

"CENTO documents" allegedly revealing plans for nuclear war against the USSR were exhibited at a Moscow press conference on 18 August, and a TASS declaration published the following day stressed the inevitability of atomic attacks on Iran, Turkey, and Pakistan in any conflict between a CENTO nation and the USSR. Moscow said that CENTO's plans for "creating zones of nuclear destruction" by atomic explosions around the territory of the Soviet Union hold important implications for members of NATO and SEATO as well, and warned that no "atomic shield" can protect aggressors against the USSR.

Formal Soviet protests against CENTO's "aggressive plans" were made to the three member countries, and photostat copies of the documents were displayed at the Soviet Consulate in Istanbul on 8 September, after the Turkish Foreign Ministry had refused to permit a public street exhibit.

Moscow has also directed threats of "retaliatory measures" against Greece, which Soviet leaders have long considered a weak link in NATO. Khrushchev singled out Greece in his 11

August speech at the Rumanian-Soviet friendship meeting in Moscow, warning that in the event of war, the USSR would deliver "crushing blows" not only on the principal aggressors but also on their bases in NATO countries, and that not even the Acropolis would be spared. Later, in a private conversation with the Greek ambassador, Khrushchev said he wanted to make it clear that his remarks had been made utmost seriousness and reiterated that Greece would be wiped off the map in any hostilities.

On 30 August the USSR protested to the Greek Government against "Checkmate II," a NATO maneuver to be held from 15 to 25 September in the area of Turkey adjacent to the Greek-Bulgarian frontier. The Soviet note termed it an "inimical demonstration" against the bloc and said Athens would have to "shoulder all responsibility for any consequences" arising from the exercises. This was followed by a Bulgarian note on 2 September threatening to request help from the Warsaw Pact if the maneuvers were not called off.

Demonstrations of bloc strength may be held in Southeast and Central Europe as a counter to the NATO maneuvers in the Mediterranean. Bulgarian politburo member Rayko Damyantov said on 8 September that in order to "guarantee the security of our country," Bulgaria will take the "necessary measures in cooperation with member countries of the Warsaw Pact." An official announcement, following the 8-9 September meeting of pact members, stated that measures to enhance the military preparedness of its forces were discussed.   25X1

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****AFGHANISTAN-PAKISTAN**

Afghanistan is continuing to strengthen its military forces along the frontier with Pakistan, and the possibility of armed clashes is increasing. A heavy build-up of infantry, artillery, and anti-aircraft batteries has been observed on the Afghan road leading to the Khyber Pass. Kabul also appears to be sending additional troops into the Pushtoon tribal areas along the border, both north and south of the pass. Although the Pakistanis have moved about 1,500 troops to a border valley south of the Khyber, they seem confident that their tribal frontier militia, supported by regular army units now stationed well away from the border, will be able to handle any attack.

During the present tension a local clash could provoke more serious hostilities. Pakistan is insisting that several hundred thousand Pushtoon nomads, contrary to the practice of past years, meet passport and visa requirements during their annual October migration from Afghanistan to their winter quarters in Pakistan. The effect would be to block the migration, burdening Afghanistan's resources and causing unrest among the well-armed nomads. In any ensuing clashes, both the Afghans and Pakistanis would probably enlist the support of the warlike tribes which live along the border.

In any large-scale hostilities, the Afghan Army would be no match for Pakistan's forces. Conceding this, some conservative Afghan elements seem to expect that war with Pakistan would bring Soviet intervention and the loss of Afghan independence.

While the USSR may seek to exploit rising tension in the area, it is unlikely to become directly involved in any military clash, inasmuch as intervention on behalf of the Afghans would invite CENTO support for Pakistan. Soviet leaders have limited their support for Kabul to propaganda and diplomatic moves. Last March, following an outbreak of fighting in Pushtoonistan, Pravda placed the onus on Pakistan for provoking the hostilities and charged that Pakistani policy was determined by "outside influences." The article stated, however, that the USSR desires a peaceful settlement of the problem. Another Pravda article a few days later--coinciding with Afghan Prime Minister Daud's visit to Moscow--reiterated Soviet support for the Afghan position on Pushtoonistan. In the event of a clash between Afghan and Pakistani forces, however, the USSR might provide technical and logistical support for Afghan troops under existing military training arrangements, and might also extend additional arms and

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military equipment under a supplementary aid agreement.

Since severing with Pakistan on 6 September, Kabul has closed the border to shipments coming through Pakistan, including US aid supplies, despite Pakistani assurances that transit trade could continue. The Afghan Government has implied that it is resigned to the loss of major American aid projects, which depend on the transit route through Pakistan, and that it is ready to abandon its policy of maintaining a balance between its relations with the bloc and with non-Communist countries.

Reacting bitterly to Pakistan's unilateral decision in late August to close Afghanistan's consulates and trade offices in Pakistan, the Afghans feel their prestige is at stake. They appear determined to risk their independence rather than "yield" to Pakistan by establishing new ways of facilitating transit trade through Pakistan. Prime Minister Daud, however, has stressed to Ambassador Byroade that it would be a "great mistake" if the United States came to the conclusion that Afghanistan did not want American assistance. His remarks lend new weight to the possibility that Kabul's recent moves may be largely an effort to secure strong American pressure on Pakistani President Ayub.

Pakistan, determined to force a showdown with Kabul and



end Afghan agitation among Pakistan's Pushtoon tribes, apparently remains confident that the Afghans will yield in the face of Pakistani firmness. Pakistan may, however, underestimate Daud's willingness to inflict serious damage on his own regime, if necessary, in order to strike back at what he regards as a direct challenge.

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## SINO-NEPALI RELATIONS

Preparations for Nepalese King Mahendra's state visit to China, which begins on 25 September, were under way in early August, [REDACTED]

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Both China and Nepal hope that a final boundary agreement can be signed during Mahendra's stay. Peiping intends to use an agreement as evidence of its willingness to make "reasonable" border settlements with neighboring states in a further effort to put the onus on New Delhi for the deadlocked Sino-Indian boundary controversy. For its part, Katmandu sees substantial security value in a border settlement.

Progress toward the goal was indicated by the agreement on a draft boundary treaty reached on 28 August in Katmandu by a joint commission. This agreement followed nearly a year of field surveys, when Peiping made concessions on nearly all points under dispute. The problem of which country owns Mount Everest lay outside the commission's jurisdiction, but is scheduled for discussion at a higher level during Mahendra's visit. There have been press reports of preliminary discussions between Nepali officials and the Chinese ambassador in Katmandu during the past two weeks, with the Nepalis showing

no enthusiasm for a Chinese suggestion that Everest be placed under joint ownership. Peiping may propose some interim arrangement, such as joint administration of the peak, pending a decision on ownership. The Chinese are unlikely to accede to any Nepali demands that the peak be awarded exclusively to Katmandu.

The draft treaty on the border also makes no reference to the junctions at the eastern and western extremities of Nepal where India, China, and Nepal meet. The location of these points is complicated by the unresolved Sino-Indian border dispute. Peiping may try to undercut New Delhi's position on this issue by seeking to have the junctions shown as far south as possible in the Sino-Nepali boundary maps--as it did in the case of the Sino-Burmese border junction with India. It is unlikely, however, that the Chinese will press this issue to the point of endangering a quick signing of the treaty. If a dispute develops, the location of the junctions may be left out of the treaty pending a final Sino-Indian border agreement.

The menace posed by Tibetan rebel bands has also been a complicating factor in the boundary negotiations. Peiping has displayed continuing sensitivity over this threat [REDACTED]

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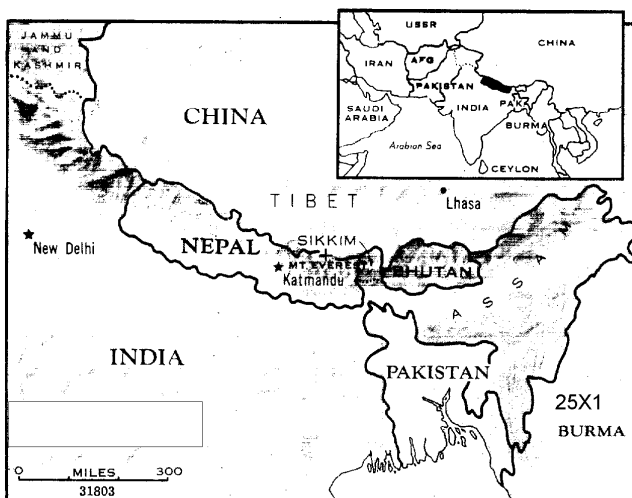
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Peiping and Katmandu reportedly agreed on the use of Chinese combat troops to protect the joint teams which surveyed the boundary during the past spring and summer, and Peiping would probably like to secure permission for Chinese troops to operate inside Nepal to protect border demarcation teams following the signing of the treaty. Peiping may go even further and offer to help the Nepalis clean out Tibetans who have fled across the border. The Chinese entered into just such an agreement with Rangoon for the protection of survey and demarcation teams along the Sino-Burmese border in 1960, and Peiping's troops were allowed to enter Burma for clean-up operations against Chinese Nationalist irregulars. As a result of this campaign, the bulk of the irregulars were pushed into Laos and Thailand.

To smooth the way for Nepali acceptance of the boundary treaty, Chinese and Nepali negotiators met in Katmandu from May to September to work out



details for committing as yet unused Chinese aid totaling nearly \$30,000,000 negotiated in 1956 and 1960. On 5 September, a protocol was signed spelling out specific arrangements for projects already agreed to--a cement plant and a paper mill--as well as for a factory and tannery.

The protocol also provides a cash grant of \$2,100,000 in Indian rupees for local costs of the projects and arranges for the acquisition of additional local currency through the sale of up to \$4,500,000 in Chinese goods. It is doubtful Katmandu can absorb large quantities of consumer goods if the sales are not spaced out over a considerable period. One result may be a reduction of imports from usual suppliers such as India.

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

## COMMUNIST CHINA

Mao Tse-tung, Liu Shao-Chi, Chou En-lai, and other members of the Chinese Communist politburo have been absent from Peiping for long periods from the end of July through early September, and there is good evidence that they have been meeting in secret sessions. The amount of time devoted to the sessions suggests that a wide range of policy issues has been under review.

The Chinese Communist party statutes require that at least two central committee plenums be held each year; only one plenum has been announced since August 1959. It is probable that other top-level meetings have taken place but that the regime has not seen fit to publicize them, primarily because it had to cope with the problem of retreat from Peiping's vaunted programs and goals.

Indecision on the part of the leadership was also evidenced in other spheres. The party's most authoritative publication, Red Flag, normally contains articles written by important theoreticians and spokesmen; for the past year its pages have been filled by unknowns. The central committee's other official organ, the Peiping People's Daily, customarily has established the correct party "line" through its editorials. Since April, however, there has been a sharp decline in editorials on domestic subjects, which

normally average about 20 a month; in July only three were published, an all-time low. Omission of the annual National People's Congress and complete silence about convoking the ninth national party congress, which was scheduled for 1961, are additional indications that the leaders either had not completed an acceptable program or were undecided on how to present their retreat.

The regime's problems stem basically from the economic crisis. Two and a half years of poor crops, the result of both bad weather and mismanagement, have severely hurt the Chinese economy. Industry has also suffered sharp setbacks as a result of the lack of agricultural raw materials, the ill-advised excesses of the leap forward program, and the diversion of many workers to agriculture. A general malaise and apathy have affected great masses of the population who apparently see no hope of improvement in their standard of living.

It is against this background that the recent meetings have taken place. Their chronology can be reconstructed from the absences and subsequent reappearance of the top leaders in Peiping. Presumably the politburo began its first session on about 26 July and this session continued through the first week of August. There was a brief period in mid-August when the Chinese leaders

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reappeared in public. By the 22nd, however, they again disappeared, except for Foreign Minister Chen Yi, kept in Peiping by protocol requirements.

It is customary for a major politburo session to be followed by a full central committee plenum, and such a meeting may have been held. If so, it presumably ratified the decisions taken earlier. Possibly, discussions are still in progress, as the only member of the politburo whose whereabouts have been announced is Secretary General Teng Hsiao-ping. He arrived in Pyongyang on 8 September to attend the North Korean party congress.

Results of these discussions have not been announced, but there have been several indications of the general tenor of the first meeting. On 4 August People's Daily published its first editorial on the domestic situation in several weeks. Entitled "Systematically Solve Problems One by One," it was illustrative of the regime's present mood of sober realism toward China's economic problems.

The 1 August issue of Red Flag, delayed for nine days, was remarkably conservative in tone. One article stressed the need for free discussions in academic circles. The article made it clear that the party does not expect criticism on political matters, as happened in the liberalization program of 1957, but stated that the party would not intervene in purely academic disputes. The line between the two is not always clear and the intellectuals are understandably wary, but they undoubtedly welcome any abatement of political pressure. While there have been articles earlier this year proclaiming academic freedom, the renewed emphasis in Red Flag is probably the party's invitation to the intelligentsia to believe the assurances.

In a college graduation address in Peiping on 10 August, Chen Yi addressed himself to the problem of combining political reliability with professional skill or, as the Chinese put it, the need to be both "red and expert." Chen laid primary stress on professionalism rather than political indoctrination.

## GHANA

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Strikes which began on 4 September and continue in some of Ghana's urban centers reflect the discord and discontent with President Nkrumah's leadership

which have been mounting in recent months. While the demonstrations have been aimed specifically at the universally unpopular austerity budget

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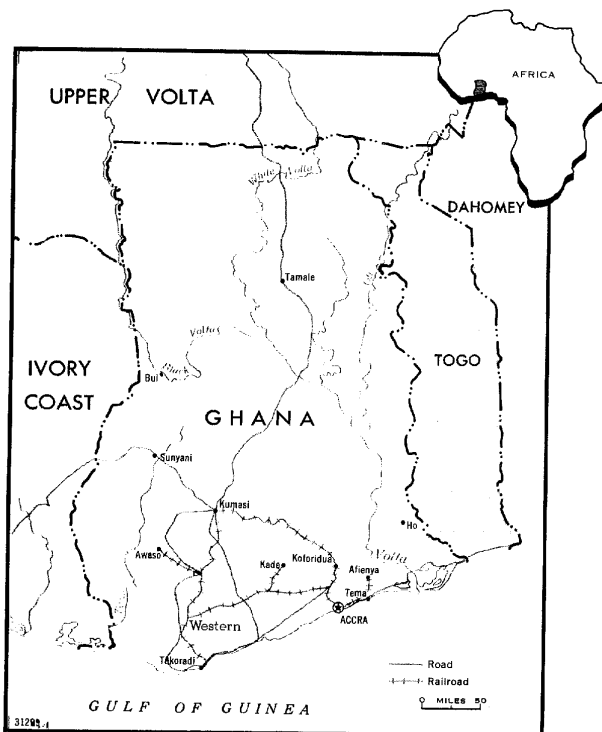
**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

presented by the government last July, they have had a distinctly political and antiregime character. Such an unprecedented overt display of opposition appears especially significant in view of recurrent reports of disaffection among other elements, including cocoa farmers, civil servants, students, army officers, market women, and the right wing of the ruling Convention People's party. (CPP).

Spearheaded by the long-repressive railway workers union, the strike movement has paralyzed the main seaport of Takoradi, where it attracted the support of most government and private employees. Accra, the new port of Tema, and the important inland city of Kumasi have also been affected, although to a lesser extent. So far there have been no disorders, despite numerous street demonstrations by the strikers, notably in Takoradi. Early this week the strike began to wane as authorities threatened strong measures following the proclamation of a limited state of emergency by the Presidential Commission, which has been in charge in Ghana since Nkrumah's departure in July on his visit to the bloc. However, many workers, especially railway and port employees, are still out, and some others reportedly are planning to join the protest after 15 September, their next payday.

The primary demand of the strikers is the abandonment by the government of the July budget and especially the compulsory-savings scheme which it imposed. This scheme, which Nkrumah is counting on to help offset an anticipated budget deficit of about \$120,000,000 for the current fiscal year, involves automatic wage deductions

for the purchase of national development bonds. In addition, however, at least some of the strikers have also raised purely political issues. According to consistent reports reaching the American Embassy from local observers, these included demands for the release of the 200 to 300 political prisoners held by the regime and for early general elections or the formation of a new government--long-standing demands of the hard-pressed opposition party. Virtually all of the embassy's sources in Takoradi stated that the people were "fed up" with the present regime and with Nkrumah.

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Reports from Accra indicate that while the situation is generally calm, public feeling continues high. Even if Nkrumah, who is expected back on 16 September, succeeds in ending the present wave of strikes, his regime may soon be confronted with new challenges as economic pressures resulting from the July budget intensify. Such a continued erosion of the regime's popular support may eventually

encourage an attempt by disaffected elements, perhaps including prominent CPP conservatives, to oust Nkrumah or at least to force him to modify his policies. At present, however, fear of imprisonment under Ghana's preventive detention act appears to be inhibiting the emergence of a coordinated and effective opposition movement.

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**DOMINICAN REPUBLIC**

The 12 September violence in the Dominican capital erupted as thousands of opposition-led demonstrators prepared to meet the OAS subcommittee arriving to investigate whether present conditions warrant the removal of OAS sanctions against the regime. The violence, in which at least four were killed and numerous civilians and police wounded, apparently was sparked by a dismissed agent of the secret police, who, upon being booed, stepped out of his car and fired on the crowd, killing one and possibly two demonstrators. The enraged crowd then attacked the police, and clashes continued most of the rest of the day. By late in the afternoon, stores were closing throughout the capital in what the populace expects will become a general strike.

The violence may be exploited by certain elements of the opposition who had favored the provocation of police reprisals in order to demonstrate to the OAS subcommittee the lack of political freedom in the country. It may also provide the trigger for a general strike which some opposition leaders have been seeking for some time. The politically moderate National Civil Union (UCN), which has wide backing among the middle classes, was reported on 31 August to be planning such a strike in the belief that it could bring down the government

within a relatively short time.

Opposition leaders maintain that the regime is incapable of changing its basic character, despite President Balaguer's liberalization program. They warn that US support for even a partial lifting of the OAS sanctions would embitter the majority of Dominicans against the US. While the more moderate opposition leaders are willing to concede that Balaguer is trying to liberalize the regime, they point to the continued police reprisals and killings as proof that Balaguer is unable to accomplish his objectives as long as the police and military remain basically as inherited from the late dictator. High on their list of demands is removal from the country of all members of the Trujillo family, chief among them General Ramfis Trujillo.

Certain old-guard elements in the government and in the official Dominican party have been assisting local pro-Communists in an attempt to use the Communist issue to extort US support for policies contrary to the liberalization program. The apparent immunity of pro-Castro groups to the police reprisals, which have affected more moderate opposition groups, strongly suggests that the Castros are being used for "tactical" purposes.

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

## BRAZIL

Brazil's crisis ended at least temporarily with congressional approval on 8 September for Prime Minister Tancredo Neves and a council of ministers, under a parliamentary system of government adopted to restrict the presidential powers entrusted to leftist Joao Goulart. About half the cabinet comes from the middle-of-the-road Social Democratic party, while the National Democratic Union, which backed Quadros, and Goulart's Labor party each received two posts. Except for Prime Minister Neves--a defeated gubernatorial candidate--almost all of the appointees are from the lower house of congress, which had been relatively weak under the presidential system of government.

The constitutional amendment establishing parliamentary government calls for the President to nominate the prime minister--called 'president of the Council of Ministers'--and, in accordance with the prime minister's designation, the rest of the council members. The nominees must then be approved by the Chamber of Deputies. The extent of the new President's influence in the selection of the Council of Ministers has not yet been authoritatively reported, but Neves' career has long been linked with Goulart's.

For several years Neves has been a secondary leader in the Social Democratic party and has influenced several party decisions to form electoral alliances with the leftist Labor party rather than with the more conservative National Democratic Union. He was closely linked

with former dictator Getulio Vargas, who tried to free himself of dependence on the armed forces by building up civilian power blocs including labor. Neves is a somewhat nationalistic friend of the large landholders and industrial interests of his native state of Minas Gerais.

Foreign Minister San Thiago Dantas has for some time been the ideological adviser of Goulart and the Labor party, and is acclaimed as a political theoretician. One of Brazil's wealthiest and most successful corporation lawyers before he entered active politics, he was elected a Labor party federal deputy from Minas Gerais in 1958 and had been appointed by Quadros to head Brazil's delegation to the 16th UN General Assembly. Now 50 years old, Dantas is said to have deliberately chosen the Labor party as having the greatest potential among Brazilian parties. He was undeterred in his choice by his previous record of close association with foreign business interests and a former connection with Brazil's fascist Integralista party. He may have accepted a position as foreign minister in a move independent of Labor party discipline. Dantas has been expected to break with Goulart when he could thereby serve his own political ambitions.

Finance Minister Walther Moreira Salles, a political moderate who twice served as ambassador to the United States, is a successful banker and businessman. Americans have described him as extremely capable in those fields, but somewhat lazy.

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General Joao Segadas Vianna, minister of war, is a leader of the military faction which has opposed intervention in politics. He once said, "If dictators were a solution to national problems, Latin America would have one of the most advanced civilizations in the world."

The American Embassy reports that at least two of the new council members--the ministers of health and of mines and energy--are extreme nationalists with Communist associations. The Communist party in Sao Paulo is reported to object to only one appointee, pro-US Finance Minister Moreira Salles, and to be particularly happy with Industry Minister Guimaraes and Foreign Minister San Thiago Dantas.

Dantas announced on 11 September that the new government would not change the foreign policy of the Quadros government. He said, "We shall practice the same dynamic policy but without falling into certain extravagances." He added that the new government would put into practice the plans outlined by Quadros, especially in regard to rapprochement with the countries of "the third world" and strengthening the unity of the American continent without compromising traditional alliances.

Minas Gerais, home state of former President Kubitschek, is represented in four key posts in the new cabinet, including the premiership. Federal deputies from Quadros' home state

of Sao Paulo--which rivals Minas Gerais in political importance--received the portfolios of industry and labor. The absence of representation from Goulart's home state of Rio Grande do Sul, which traditionally ranks third in political importance, may indicate that Goulart and his political allies there hope for an early elimination of the parliamentary system. Goulart on 7 September called for a popular referendum on the innovation. Kubitschek is also advocating a restoration of the powers of the presidency. There are some indications that Goulart's Labor party eschewed greater participation in the new government in order to have a freer hand for this campaign.

Brazilian Communists are united in favoring Goulart, and Soviet approval of him has been emphasized in press treatment. One section of the Brazilian Communist party, however, has expressed confidence in reaching political agreement with Neves, whose unsuccessful bid for governor the Communists had supported in the 1960 campaign. In southern Brazil, where support for Goulart is strongest, leaders of the Communist-controlled Committees of Democratic Resistance reportedly announced on 8 September that they were not closing down but will lead the fight for a plebiscite on and a repeal of the parliamentary amendment. 25X1

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### HAITI

The sweeping military shake-up launched by Haitian President Duvalier on 6 September evidently was another of his periodic moves to prevent elements of the police and armed forces from getting strong enough to overthrow him. The replacement of high military and police officials with new men was immediately preceded by a wave of political arrests which allegedly smashed a "conspiracy" against the government, but in fact was probably designed mainly to "justify" the reshuffling of military officials.

Among the key army and police officials relieved of all military duties was Army Chief of Staff General Pierre Merceron, whose removal had been expected for some time. His successor, General Jean René Boucicaut, and those who were named to other important positions--including new Presidential Guard Commander Major Garcia and new Port-au-Prince police chief Major Arty--are generally believed fairly capable and not anti-US.

The new military purge, which removed virtually all remaining members of the military high command appointed in December 1958, was effected smoothly and, in contrast to 1958, without arresting the incumbents. Apparently no explicit attempt has been made to link

the removed officers with the alleged political "conspiracy," and, except for the reported discovery of some arms and explosives, there seems little basis for the political arrests made just prior to the military shake-up.

Covert opposition to Duvalier's dictatorial regime probably has increased since the President's action last spring in staging his own "re-election" to a six-year term two years before his first term expired, but his opponents--who include a significant portion of the country's mulatto elite--appear to remain divided and intimidated by the regime's repressive apparatus.

There are some indications that Duvalier, in an effort to find a scapegoat for his recent actions, may attempt to implicate the United States and Venezuela --where anti-Duvalier exiles are concentrated at present--in a "deep international plot" against him. A reliable source of the American Embassy reported on 5 September that a Haitian official had predicted this, and a local employee of the embassy was informed that a plot "had been uncovered" which involved the US Government.

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### PROSPECTS FOR THE WEST INDIES FEDERATION

Persistent disagreement over the form of federation and apathy toward independence make the political future of the West Indies Federation uncertain, despite Britain's determination to grant independence on 31 May 1962 as scheduled. Jamaica's Premier Manley has a good chance of overcoming secessionist sentiment on that island and winning a favorable vote in the 19 September referendum on keeping Jamaica in the Federation; a public opinion poll in late

August indicated a large majority for federation. Manley is expected to become federal prime minister next summer.

The other islands, however, which must also approve the new constitution agreed to in London in June, are having second thoughts about committing themselves to the weak governmental structure. It is estimated, for example, that the federation's new fiscal powers would give it annual revenues equivalent to

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less than a fifth of Jamaica's present annual revenue. Personal antagonisms among Manley, current Federal Prime Minister Adams, and Trinidad's Premier Williams--who are the principal leaders of the major federation-wide party--are intensifying these problems and may split the federation before independence.

The feuding of the three leaders stems partly from old quarrels based on considerations of differing island interests and of personal prestige. Their differences were suppressed in the past year to achieve agreement on the constitution. Although Williams backed the June agreement on a weak constitution in order to keep Jamaica in the federation and proceed toward independence, he now is voicing Trinidad's old complaints about federal impotence. Local elections are due in Trinidad this fall, and the British Colonial Office believes Williams' truculence may subside afterward.

Williams probably also has his eye on the conference scheduled in London on 8 January to determine future British aid programs to the independent federation. The implied threat of Trinidad and the smaller islands to reject the constitution could be used to try to extract more aid from Britain.

If the present grouping does disintegrate, Williams seems to be hoping for early independence for a smaller, more cohesive federation controlled by Trinidad, with Jamaica becoming independent separately. This probably would require re-negotiation of the agreement signed last February between the United States and the federation government on naval and missile-tracking sites; Williams would again be the dominant figure in any such discussions, since the principal facility is on Trinidad. In earlier years Williams displayed strong anti-American feelings, and his current antagonism toward the federation and Manley is beginning to revive them.

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## MILOVAN DJILAS

Judging from his recent statements, Milovan Djilas, author of The New Class and once a ranking Yugoslav party leader, may again clash with the Tito regime. In June, he told the New York Times correspondent in Belgrade that he was giving serious thought to organizing an opposition party and publishing an opposition periodical. When it was pointed out that this would probably result in his reincarceration, Djilas stated that he would not mind, as he is a greater threat to the regime inside jail than out.

Background of Djilas' Heresy

Djilas' martyr complex is in the tradition of his native Montenegro, a land with a history of resistance against established authority. His rebellious proclivities first led him to membership in the clandestine Communist party of prewar Yugoslavia. After the Communist triumph, Djilas achieved prominence and evolved gradually into a relatively liberal ideologist; he was one of the major drafters of the program of the sixth party congress in 1952 which initiated Yugoslavia's first decentralization of economic and political authority.

The party's adverse reaction to this liberalization culminated in the Brioni plenum of the party central committee in June 1953, which called for greater party discipline and intensification of the class struggle. The leadership was not successful, however, in preventing a general erosion of party elan. In the succeeding four years, party membership dwindled, while the worst features of clique rule became the accepted norm.

The Brioni plenum provoked Djilas into open rebellion. Djilas at first directed his criticisms only at the privileges of "the ruling class." He later broadened his attack to score

the one-party system, not because he disagreed with its goals but because he believed it could not achieve them.

His defection from the party in 1953 and eventual imprisonment in 1956 received wide attention abroad and may have been in part responsible for the subsequent resumption of Yugoslavia's measured economic and political liberalization.

Djilas' dissidence did not cause the regime any serious problems domestically, however. He has never had a wide following, either in the party or with the general public; his high position in the party resulted from his personal ties with its leaders, such as Tito and Vice President Rankovic. Vladimir Dedijer, Tito's biographer, was the only central committee member who supported Djilas to the end in his battle with the party leaders. Two others might have been expected to support him but did not. One was Mitra Mitrovic, his former wife and the regime's leading female intellectual. The other was Army Chief of Staff Peko Dapcevic; in one of his famous newspaper articles which attacked the leadership's closed society, Djilas had berated the wives of the regime leaders for snubbing Dapcevic's actress wife because she had not been a partisan.

Release From Prison

Imprisonment and lack of support not only did not weaken but actually expanded Djilas' convictions. When he went to prison, for example, he advocated a two-party system in which both parties would be dedicated to the construction of "Yugoslav socialism." Since his release he has stated that he prefers a multiparty system that would allow even parties espousing regional interests or supporting nonsocialist philosophies.

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In recent months Djilas has revived his connections with a wide range of Western diplomats and newsmen and has frequently hinted at his desire and intention to resume a prominent role in Yugoslav politics. He is also attempting to arrange the transfer to Belgrade of the approximately \$100,000 in royalties his books earned in the West. But Djilas has not as yet done anything clearly subversive, apparently because he was preoccupied with getting the regime to return the five books he wrote while in jail and with getting two of them published in the United States. One of these books, concerning a 19th century Montenegrin prince and bishop, is described by Djilas as something like Doctor Zhivago.

Attitude of Regime

Djilas has made it virtually impossible for the regime to be lenient toward him; its punitive measures against him were taken reluctantly. The first time he got into trouble (1953), he was removed from his party posts; the second time (1954), he was given an 18-month suspended sentence; the third time (1956), he received a three-year jail term; and the last time (1957), he was sentenced to an additional seven years in jail.

Part of the regime's hesitancy about displaying undue harshness toward Djilas stemmed from its interest in avoiding a bad press in the West. In addition, West European socialists, particularly the British Labor party, consider Djilas one of their own, and the degree of warmth in their relations with Belgrade reflects the regime's treatment of him. There is also evidence that some top Yugoslav leaders still feel a measure of friendship, guilt, or pity toward their former comrade. When he was released from jail, for example, he was not forced to recant; he is not compelled to observe the normal restrictions of parole; and he is permitted

to publish abroad. There may even be those who believe Djilas can be trusted. One of the conditions of his release was his pledge to observe Yugoslav laws, i.e., not to engage in hostile political activity.

On the other hand, rumors that the regime will give Djilas a diplomatic post appear unfounded. There also are rumors that Djilas has reapplied for his party card and hopes to run in next year's parliamentary elections; however, it seems unlikely the regime would agree. The regime would consider its interests better served if Djilas either emigrated or, like the former leading Cominformists, retired to private obscurity. In the meantime, the secret police probably are keeping a close watch on his activities.

In recent years the regime has removed those associated with Djilas from any positions of political influence. Dedijer was removed from the central committee with Djilas and suffered at the hands of the secret police. About a year and a half ago, Dedijer was allowed to go abroad to receive medical treatment and to find the employment necessary to support his family; he is currently in Great Britain. Djilas' former wife, even though she did not support him, was dropped from the central committee in 1958 without explanation. Dapcevic, who went on to become minister of transport and communications after Djilas' fall, is still a central committee member, but he was removed from his ministry and the Federal Executive Council (cabinet) last December. He was recently appointed ambassador to Greece.

Should Djilas commit some clearly subversive act, as appears quite possible, there is no reason to doubt that the regime will move quickly and effectively to punish him, whatever the protestations of the Western press and West European socialists.

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